REPORT

DATE: May 1, 2003

TO: Community, Economic, and Human Development Committee

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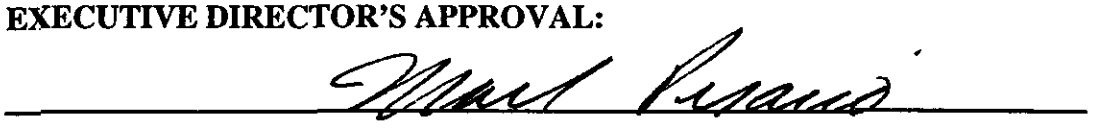
SUBJECT: **Selection of Recommended Technical Growth Projection for Phase II Evaluation**

EXECUTIVE DIRECTOR'S APPROVAL:



RECOMMENDED ACTION:

Staff recommends that the CEHD approve Trend/Local Input Projection A as the selected technical growth projection for Phase II Evaluation.

BACKGROUND:

Five growth projections were discussed at the FTTF meeting on April 10, 2003. They are Trend Projection, Local Input Projection, Technically Balanced Growth Projection (TBGP), Trend/Local Input Projection A, and Trend/Local Input Projection B.

The Trend Projection is a technical trend analysis that implicitly incorporates historical policies up to the present. It utilizes demographic and economic models to project future growth based on key national and state trends. It assumes the regional baseline transportation infrastructure.

The Local Input Projection is consistent with the input numbers received from local jurisdictions. The input data from local jurisdictions includes general plan information and incorporates the latest local policies and land use availability. It assumes the regional baseline transportation infrastructure and environmental constraints. It results in a redistribution of growth relative to the Trend Projection.

The TBGP utilizes the Local Input Projection as a benchmark. Based on evaluation criteria developed by the FTTF it ensures reasonable relationships between population, households and employment at the regional and county levels. It also assumes the regional baseline transportation infrastructure.

The Trend/Local Input Projection A utilizes regional and county totals from the Trend and sub-county distributions from the Local Input. It also assumes the regional baseline transportation infrastructure.

The Trend/Local Input Projection B utilizes only regional totals from the Trend and county and sub-county distributions from the Local Input. It also assumes the regional baseline transportation infrastructure.

The following summarizes the results of the April 10th FTTF meeting:

Areas of Consensus

There was consensus among FTTF members that the Trend Projection and the Local Input Projection were not appropriate for use during the Phase II Evaluation. The Trend Projection does not have appropriate sub-county distributions. The Local Input Projection implies an unrealistic unemployment rate of 3.7%. The unemployment rate for the SCAG region has never been below 4.9% over the past 20 years.

Majority Recommendations

The FTTF agreed, by a substantial majority, to recommend that the TBGP be approved as the preferred technical projection for Phase II Evaluation (by vote of 12 to 6 in favor). A majority of the FTTF also recommended that, should SCAG elect to use the Trend Projection totals at the regional level as the basis for analysis, the Trend Projection/Local Input Projection A be the preferred technical growth projection for Phase II Evaluation (by vote of 10 to 7 in favor).

SUMMARY:

The Trend Projection totals at both regional and county levels are the result of rigorous and extensive analyses over the past 18 months. The analyses incorporated future demographic and economic outlook in addition to historical trends at national, state, regional and county levels. State-of-the-art modeling tools were extensively utilized to support the analyses.

During this process, the assumptions and methodologies underlying the analyses were extensively reviewed by independent demographic and economic experts, subregional representatives, jurisdictional representatives, academic researchers, the FTTF members, and other interested parties. Assumptions and methodologies for use in developing the Trend Projection at the regional and county levels were approved by the FTTF. Therefore, staff believes that the regional and county totals incorporated in the Trend Projection represent the most likely and most credible regional and county projections.

The Local Input Projection, however, represents the most likely distribution pattern at sub-county levels. The Local Input Projection takes into account such factors as vacant land, redevelopment potential, and general plans for individual jurisdictions. The Trend/Local Input Projection A takes advantage of the strength of both Local Input and Trend Projections.

Staff has conducted analysis on policy implications of the five growth projections. The results of this analysis are presented in the Attachment.

FISCAL IMPACT:

The cost associated with this recommended action is identified in the SCAG budget FY02/03 and in draft FY03/04 OWP in the Planning Data and Forecasting Section.

Attachment

Evaluation of Policy Implications

The policy implications of the SCAG technical growth projections have been evaluated in the following four policy areas:

- Unemployment Rate/Labor Force Supply
- Housing Affordability/Crowding
- Job-Housing Balance
- Income

Unemployment Rate/Labor Force Supply

The 3.7% unemployment rate implied by the Local Input Projection has the potential to cause serious labor force shortages. These shortages have implications in regards to immigration policies; domestic migration; and the deferred retirement, longer labor force participation, and increased need for job training of the elderly population.

The long-term equilibrium regional unemployment rate assumption used for the Trend Projection was 4.9% (consistent with the lowest unemployment rate experienced in the SCAG region in the past 20 years). This is consistent with unemployment rate trends in the SCAG region over the past 20 years. Both the TBGP and the Trend/Local Input Projections A and B are consistent with this unemployment rate assumption. However, the 3.7% unemployment rate implied by the Local Input Projection is much lower than the historical low of 4.9%. This very low unemployment rate implies labor force shortages and has the potential to impact immigration policies and migration patterns. There are also policy implications for job training/retraining of the elderly in order to ensure that a trained labor force will be available for the jobs that are created in the future. Such an extremely low unemployment rate will result in the need to reconsider current policies that encourage early retirement.

Housing Affordability/Crowding

The housing shortages implied by the Local Input Projection and TBGP would have an adverse impact on housing affordability and would exacerbate crowding problems within the SCAG region.

The Trend Projection and the Trend/Local Input Projections (A and B) have the lowest population/household ratio (2.85) compared to the TBGP (2.97) or Local Input Projection (2.97). The reduced housing supply for the Local Input Projection within the region could limit housing affordability (as identified in the State of the Region report). This is a major issue in the SCAG region which already has the highest percentage of households with housing costs greater than one-third of household income of any of the largest metropolitan regions in the United States. Housing crowding was a major problem that was identified in the SCAG State of the Region report. Crowding, as measured by the percent of housing with more than one person per room (excluding the kitchen and bathroom) is much higher (20% of all housing) in the SCAG region than either California (15%) or

the United States (6%). The trend is toward more crowded housing in the SCAG region while the crowding situation in the United States has improved over the past 10 years.

The Local Input Projection also implies a shortage of low-income housing compared to the Trend Projection. This will result in relatively higher costs, further impacting the availability of affordable housing. For all of the SCAG region counties (except Imperial County) the Trend Projection has a lower household size than either the TBGP or the Local Input Projection. Orange County local input for household size (3.3) is much higher than the TBGP (3.0) and the Trend Projection as well as Trend/Local Input Projections A and B (2.8). This could imply a more serious crowding problem in Orange County. Alternatively, if people choose to move out of Orange County it may exacerbate the job/housing imbalance that currently exists.

Job/Housing Balance

The Trend/Local Input Projection B represents the most balanced condition of the five technical growth projections.

The job/housing balance analysis is based on an analysis of ratios of workers per household and jobs per household. An index has been created which includes the relationship of jobs and households in relation to the jobs/household ratio under a balanced condition. The balanced condition is represented by an index of 1.0. If the index is greater than 1.0, it represents a job rich condition. If the index is less than 1.0, it represents a job poor condition.

A standard deviation analysis was performed for all the five growth projections to show the job housing balance distributions relative to the balanced condition. This provides a more accurate representation of the actual job/housing balance condition among the five technical growth projections. As a result of this analysis Trend/Local Input Projection B shows the least variation from a balanced condition (although it is very similar to Trend/Local Input Projection A).

Income

The housing shortfall (particularly in Orange County), especially under the Local Input Projection, would adversely impact median household incomes and income distributions and will have a negative impact on overall economic activity.

A fourth type of policy implication for the five technical growth projections is their relative effect on median household incomes as well as on economic activity as expressed in terms of Gross Regional Product (GRP). The lack of housing development implied under the Local Input Projection could impact both overall regional median household incomes as well as income distributions within the region. These impacts are most pronounced in Orange County where the housing shortfall under the Local Input Projection (compared to the Trend Projection) has the potential to significantly increase housing costs within the county. The lack of housing for Orange County workers would force them to seek housing in the Inland Empire or to leave the region entirely. This would result in more income polarization within Orange County. This could also have a dampening effect on regional median household incomes and gross domestic product due to a reduction in the level of regional growth.

2004 RTP Technical Growth Projections - 2010

2010 Population (x 1,000)

County	Trend	Local Input	TBGP	Trend/Local Input (a)	Trend/Local Input (b)
Imperial	180	201	201	180	201
Los Angeles	10,405	10,367	10,367	10,405	10,368
Orange	3,235	3,289	3,289	3,235	3,289
Riverside	2,012	2,054	2,054	2,012	2,054
San Bernardino	2,069	1,985	1,994	2,069	1,985
Ventura	859	861	861	859	861
SCAG Region	18,759	18,756	18,765	18,759	18,759

2010 Household (x 1,000)

County	Trend	Local Input	TBGP	Trend/Local Input (a)	Trend/Local Input (b)
Imperial	51	58	57	51	59
Los Angeles	3,484	3,447	3,447	3,484	3,506
Orange	1,081	1,035	1,035	1,081	1,052
Riverside	676	691	690	676	703
San Bernardino	665	624	626	665	635
Ventura	286	282	282	286	287
SCAG Region	6,243	6,137	6,136	6,243	6,243

2010 Employment (x 1,000)

County	Trend	Local Input	TBGP	Trend/Local Input (a)	Trend/Local Input (b)
Imperial	71	78	78	71	79
Los Angeles	5,130	5,104	5,104	5,130	5,181
Orange	1,916	1,821	1,821	1,916	1,848
Riverside	724	739	739	724	750
San Bernardino	799	783	783	799	795
Ventura	406	388	388	406	394
SCAG Region	9,047	8,913	8,913	9,047	9,047

2004 RTP Technical Growth Projections - 2010

Difference Compared to Trend Projection

2010 Population (x 1,000)

County	Trend	Local Input	TBGP	Trend/Local Input (a)	Trend/Local Input (b)
Imperial	0	21	21	0	21
Los Angeles	0	-38	-38	0	-37
Orange	0	54	54	0	55
Riverside	0	42	42	0	42
San Bernardino	0	-84	-75	0	-83
Ventura	0	2	2	0	2
SCAG Region	0	-3	6	0	0

2010 Household (x 1,000)

County	Trend	Local Input	TBGP	Trend/Local Input (a)	Trend/Local Input (b)
Imperial	0	7	6	0	8
Los Angeles	0	-36	-36	0	23
Orange	0	-47	-47	0	-29
Riverside	0	15	14	0	27
San Bernardino	0	-41	-39	0	-30
Ventura	0	-4	-4	0	1
SCAG Region	0	-106	-107	0	0

2010 Employment (x 1,000)

County	Trend	Local Input	TBGP	Trend/Local Input (a)	Trend/Local Input (b)
Imperial	0	7	7	0	8
Los Angeles	0	-26	-26	0	51
Orange	0	-95	-95	0	-68
Riverside	0	15	15	0	26
San Bernardino	0	-17	-16	0	-5
Ventura	0	-18	-18	0	-12
SCAG Region	0	-134	-134	0	0

2004 RTP Technical Growth Projections – 2030

2030 Population (x 1,000)

County	Trend	Local Input	TBGP	Trend/Local Input (a)	Trend/Local Input (b)
Imperial	252	277	277	252	285
Los Angeles	11,706	11,606	11,722	11,706	11,951
Orange	3,833	3,602	3,644	3,833	3,709
Riverside	2,886	2,840	2,920	2,886	2,924
San Bernardino	2,705	2,472	2,523	2,705	2,545
Ventura	1,029	967	978	1,029	996
SCAG Region	22,410	21,765	22,066	22,410	22,410

2030 Household (x 1,000)

County	Trend	Local Input	TBGP	Trend/Local Input (a)	Trend/Local Input (b)
Imperial	76	89	86	76	96
Los Angeles	4,129	4,022	4,023	4,129	4,324
Orange	1,358	1,093	1,212	1,358	1,175
Riverside	1,022	992	992	1,022	1,066
San Bernardino	922	801	803	922	861
Ventura	363	324	324	363	349
SCAG Region	7,870	7,321	7,440	7,870	7,870

2030 Employment (x 1,000)

County	Trend	Local Input	TBGP	Trend/Local Input (a)	Trend/Local Input (b)
Imperial	106	111	111	106	113
Los Angeles	5,611	5,616	5,616	5,611	5,698
Orange	2,311	2,079	2,079	2,311	2,109
Riverside	924	997	997	924	1,011
San Bernardino	990	1,022	1,022	990	1,037
Ventura	493	460	460	493	466
SCAG Region	10,434	10,285	10,285	10,434	10,434

2004 RTP Technical Growth Projections - 2030

Difference Compared to Trend Projection

2030 Population (x 1,000)

County	Trend	Local Input	TBGP	Trend/Local Input (a)	Trend/Local Input (b)
Imperial	0	25	25	0	33
Los Angeles	0	-100	16	0	245
Orange	0	-231	-189	0	-124
Riverside	0	-46	34	0	39
San Bernardino	0	-233	-182	0	-160
Ventura	0	-62	-50	0	-33
SCAG Region	0	-645	-344	0	0

2030 Household (x 1,000)

County	Trend	Local Input	TBGP	Trend/Local Input (a)	Trend/Local Input (b)
Imperial	0	12	9	0	19
Los Angeles	0	-107	-106	0	195
Orange	0	-265	-145	0	-183
Riverside	0	-30	-30	0	44
San Bernardino	0	-121	-119	0	-61
Ventura	0	-39	-39	0	-15
SCAG Region	0	-548	-430	0	0

2030 Employment (x 1,000)

County	Trend	Local Input	TBGP	Trend/Local Input (a)	Trend/Local Input (b)
Imperial	0	5	5	0	7
Los Angeles	0	5	5	0	87
Orange	0	-232	-232	0	-202
Riverside	0	73	73	0	87
San Bernardino	0	32	32	0	47
Ventura	0	-33	-33	0	-26
SCAG Region	0	-150	-149	0	0